



ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

**FACTORS AFFECTING HOUSEHOLD'S CONSUMPTION
OF LIFE INSURANCE: THE CASE OF ETHIOPIAN INSURANCE
CORPORATION**

BY

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ID NO. SGS/0001/2006

JUN 2015

ADDIS ABABA

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DECLARATION

I the under signed hereby declare that this thesis has been prepared by me in partial fulfillment of the requirements for the award of a degree Masters of Business Administration. I wish to state that this work has never been presented in any University or Institution of learning apart from references made to the works of other people for which I have dully acknowledged. Therefore it is an original work done by me under a close supervision of my advisor.

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ENDORSEMENT

This is to certify that Abdulmalik Siraj has carried out his research work on the topic titled as “Factors Affecting Household's Consumption of Life Insurance: the Case of Ethiopian Insurance Corporation”. The work is original in nature and is suitable for submission for the award of Masters Degree in Business Administration.

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ABSTRACT

Life insurance is an important aspect of the social-economic development of the country. Despite its importance the consumption of life insurance in Ethiopia is very low compared to other countries. The main purpose of the study is to identify and investigate factors affecting household's consumption of life insurance in Ethiopian Insurance Corporation (EIC). Based on the reviewed literature "awareness", "income", "religion", "product variety" and "premium" were identified. The study employed descriptive and explanatory research design. The population of the study comprises of employees, agents and customers of EIC life unit. Out of two hundred thirty six questionnaires administered, two hundred twenty two usable questionnaires were obtained constituting 94.1% for analysis. Both primary and secondary data were collected. The study employed structured questionnaires as the main research instrument. Descriptive statistics was used to summarize the respondents' demographic characteristics. Multiple regression analysis was used to explain the nature of the relationship between household's consumption of life insurance and factors that influence it. Results of the study showed that all the factors except religion had significant relationship with life insurance consumption. Variables awareness, income, and product variety had positive relation with but premium had inverse relation with life insurance. The regression results also showed that 61% of the variation in household's consumption of life insurance can be explained by the changes in these identified factors. With these findings, this study provides many implications and if these are taken in to consideration by EIC and other insurance companies, households' consumption of life insurance can be greater than before. The recommendations for future research and the limitations of the study are also noted.

Key words: life insurance, consumption of life insurance, households, premium.

CHAPTER ONE: INTRODUCTION

This chapter presents about background of the study, statement of the problem, research objectives, questions, hypotheses and delimitations. Finally the organization of this thesis also presented.

1.1 Background of the study

The benefit of life insurance is paramount for an individual, to the society at large and also to the development of the country as a whole. It provides economic links among individuals, families and communities; it has been taken as an important element for individuals and families to overcome risk attached with income. Insurance protects families against financial distress in the event when the bread winner dies that leads to loss of income. Also, life insurance enhances long-term savings and the re-investment in private and public sector projects.

The penetration of life insurance in Ethiopia is 0.03% which is extremely low given that the population which stands at over 84million (UNDP, 2012). Different factors may be taken as the causes for the low consumption of life insurance which triggers to the low development of the market.

The insurance market in Africa is still underdeveloped as most Africans cannot afford insurance premiums yet. With most Africans still just struggling to meet their basic food and other day-to-day needs, insurance is still a long way off for the majority of Africans (KPMG, 2012). Individuals will only start to think about long-term savings once their short-term needs are fulfilled, which means that life insurance is not an affordable option for most people on the continent.

Hailu Zeleke (2007:246) in Ethiopia the public at large is not as such very much aware of the benefit of insurance and how the insurance system works and as a result the demand for insurance products remained low.

Prevalence of certain religious belief can strongly affect the consumption of life insurance probably through their association with fatalism (Eck & Nizovtsev, (2004). Religious belief towards an institution of insurance affects the consumption of life insurance (Saaty & Ansari, 2011). (Tom, Ibok & Awok, 2012), (Dawit Mohammed, 2011) and (Mathew, 1994) found that awareness is a big factor for insurance consumption. Product variety and the price charge for that particular insurance policy have also a big impact on consumption of life insurance (Odemba, 2013). Sharon, Mary, Bickley, Jennifer and Patsy (2003) and Tajudeen, Ayantunji & Dallah (2009) conclude income is a big determinant for life insurance consumption.

There are 8 insurance companies in Ethiopia that transact life insurance business in the industry. The regulatory body of insurance and Bank service in Ethiopia is National Bank of Ethiopia. It has the mandate to regulate, supervise and develop the insurance and Bank industry including the ethical and prudent business practices (www.nbe.gov.et). According to NBE the total gross written premium collected from life insurance business in 2013 is 299,882,135.63 and it has a 17.18% growth from year 2012 which was 255,895,872.00.

The growth of life insurance industry is lower than the countries average economic growth. The Ethiopian economy growth performance over the last decade with average GDP growth rate of 11 %, (UNDP Ethiopia, 2012/13). The contribution of life insurance industry to GDP is 0.03%. . Among the existing insurance companies, EIC is commanding a 41.1% of the market share in Ethiopian insurance industry and employing 1,147 staff (EIC Annual Report 2011/12).

Usually insurance penetration ratio which is the total amount of insurance premium to GDP is used as a measure of how deep a countries insurance market is. The penetration of life insurance in Ethiopia, at 2012/2013 is 0.03% which is very low compared to other countries. Table 1 shows the penetration of Life insurance in Ethiopia consolidated from different sources.

Table 1.1: Penetration of Life insurance in Ethiopia

<i>No.</i>	<i>Items</i>	<i>2012/13</i>
<i>1</i>	<i>Life insurance Gross written premium**</i>	<i>Birr 255,895,872</i>
<i>2</i>	<i>GDP per capita US\$*</i>	<i>550</i>
<i>3</i>	<i>Exchange rate*</i>	<i>18.3</i>
<i>4</i>	<i>Population*</i>	<i>84,800,000</i>
<i>5</i>	<i>Life insurance penetration (premium/GDP)</i>	<i>0.0003</i>

*Source: 1, UNDP 2012/2013**

*2, National Bank of Ethiopia***

Despite the fact that the number of insurance companies gradually increasing and also the efforts made by the insurance companies, the consumption of life insurance is very low. Thus, this paper seeks to find out and analyze those factors that contribute behind the low consumption of life insurance in Ethiopia.

1.2 Statement of the problem

There are eight insurance companies in Ethiopia that sells Life insurance business in addition to general insurance. The origin of life insurance is as old as non life insurance however in Ethiopia the current status of the two are very much varies. Even if there is lower consumption of insurance in general relative to other countries, general insurance has more consumption than life insurance in our country.

The growth of life insurance industry is lower than the countries average economic growth. The Ethiopian economy growth performance over the last decade with average GDP growth rate of 11 %, in 2012/13 the respective shares of agriculture,

industry and service sectors in the GDP stood at 43%, 12% and 45% respectively (UNDP Ethiopia, 2012/13). This shows that other sectors of the economy are growing faster than life insurance.

Even within the insurance industry General Insurance (other than life insurance) dominates long term insurance (life insurance). There is no recent consolidated report, but data from National Bank of Ethiopia shows the status of insurance industry by annual gross written premium generated from non life and life insurance birr 4.69 billion and 277 million respectively as of June 2014. In other country like South Africa's life insurance industry accounts for 81.6% of all insurance premiums of US\$54,871 million in the country (KPMG,2014). But here in Ethiopia life insurance premium accounted to only 5.6% of the total insurance premium.

Despite the number of companies that transact life insurance business are increasing, the consumption of life insurance remains extremely low. Thus this study seeks to find out why life insurance consumption is very low by using some identified factors.

Basically, there is no one right quantity of factors or determinants use similarly for all countries, the household's consumption depends on both the economic and social conditions of a country. Since countries differ in their socio-economic conditions, country specific studies are crucial. In Ethiopia there is very little study has been done to look at the reasons why the consumption of life insurance is low. Zekarias Mekonnen (2011) study focused on consumers' attitude towards life insurance. The study concentrates on the relationship between demographic variables and buyers behavior towards the purchase of insurance in EIC. Dawit Mohammed (2010) study focused on the Life Assurance and its Economic and social benefit. Hailu Zeleke (2007) looks at the problem of insurance industry as a whole. Asmiya Gebregiorgis (2014) targeted on the low development rate of life insurance from organizational side factor. The studies that have been done generally address the status of the industry and the low development insurance in general. They do not address specifically the low development of households/individuals life insurance. This is the gap that the

current study sought to fill. The present study therefore sought to provide answers to the question: factors affecting household's consumption of life insurance?

Therefore, this study analyzes empirically the effect of income, religion, awareness, premium and product variety on consumption of life insurance. There are studies that show the relationship among the stated factors on the purchase of life insurance; however most of the studies were conducted outside Ethiopia.

1.3 Research Questions

The study addressed the following research questions:

1. How does awareness affect the consumption of life insurance in Ethiopia?
2. Does income strongly affect the consumption of life insurance?
3. What relation exists between religion and the consumption of life insurance?
4. Does premium relate to the current low level of life insurance consumption?
5. Does product variety affect the consumption of life insurance?
6. What kind of strategies do insurance companies use to address the problem?

1.4 Objectives of the Study

The general objective of this study is to identify factors that affect household's consumption of life insurance in Ethiopia.

Based on the general objectives stated above, the following specific objective were addressed in the study

- i. To study whether the identified factors significantly affect consumption of life insurance in Ethiopia.
- ii. To analyze how well the identified variables able to predict household's life insurance consumption
- iii. To assess ways the life insurance market could be developed.

1.5 Research hypothesis

Based on previous literatures the following hypothesis were developed and tested.

H1: Income has significant relation with the consumption of life insurance.

H2: Religion has significant relation with the consumption of life insurance.

H3: Awareness has significant relation with the consumption of life insurance

H4: Product variety has significant relation with the consumption of life insurances

H5: Premium/price of the product has significant relation with the consumption of life insurances

1.6 Definition of Terms

The following are definition of terms that used in this research study.

Insurance penetration ratio: the total amount of insurance premium to GDP which is used as a measure of how deep a countries insurance market (UNDP, 2014)

Household's: One or more people who live in the same dwelling and also share living accommodation ([https://en.m. Wikipedia.org](https://en.m.wikipedia.org)).The researcher wants to investigate households/individuals consumption of life insurance.

Life insurance : an agreement or certificate where by one party (the policy owner) pays a stipulated consideration (the premium) to the other party (the insurer) in return for which the insurer agrees to pay a specified amount of money if the person whose life insured dies, or survives to a stated time. (Black and Skipper, 1987)

Premium: price the households pay in exchange to an insurance policy.

1.7 Significance of the Study

This study has a practical significance in terms of advancing the knowledge and understanding of factors which affect households' consumption of life insurance. It is likely use by insurance companies in general and EIC in particular in formulating strategies to increase life insurance sales by using the findings to understand the

factors that affect consumers' perception towards purchasing of life insurance. It is also hoped that this research will form a basis for further research in this area among academics, whereby other researchers in this field who may use this report as a basis for further studies.

1.8 Delimitation/Scope of the study

This study has a number of delimitations

- The scope of the study is specifically restricted to only Ethiopian Insurance Corporation (EIC) life unit, located in Addis Ababa. Thus the finding may change if the study applies to different area, demography or economy.
- Again only employees, customers and agents of EIC life unit are included in this study for analysis.
- The study will also be employed on only household/individual consumers. Government organizations, NGO, Plc's and other organization are not included in the study with the assumption that these organization buy life insurance as a benefit package to attract employees which doesn't ultimately affect an individual's income, awareness, religion, product option and premium. Hence the finding may change when the study applies on them.

1.9 Organization of the study

This thesis has five chapters. Following the above introduction, chapter two provides a review of theoretical and empirical literature related to consumption of life insurance and its linkage with the selected independent variables. The data types, sources, collection and analysis are discussed in the third chapter. Chapter Four reports the results of the empirical analysis in relation to testing the hypothesis and chapter five presents conclusion, limitation and recommendation.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

This chapter of the study presents about literature review specifically factors affecting the consumption of life insurance and discussion will be made about those factors and their relation with the consumption of life insurance relating with various literatures and documents. Discussion will also be made about the concepts and benefit of life insurance.

2.1 Consumption of life insurance

The extent at which life insurance consumption varies from one country to another, the indicator normally used to assess the consumption level in a particular country is life insurance penetration rate. Eck and Nizovtsev (2004) Life insurance consumption rate commonly used to measure the purchase of life insurance which is the percentage share of GDP spent on life insurance. KPMG (2014) insurance is considered to be a barometer of the economic activity in a country. The growth of the economy and the insurance sector are interdependent on each other and tend to grow proportionately to each other. This will be explicitly illustrated by the existing situation where the life insurance consumption has been concentrated more on developed countries.

KPMG (2012) Life insurance premiums in Africa totaled US\$49.9 billion in 2012, of which South Africa accounts for 89.8%. After excluding South Africa, the life insurance penetration rate in Africa is only 0.31%. Non-life insurance is slightly more popular, with a penetration rate of 0.73%. This is still much less than elsewhere in the world. South Africa's life insurance market relative to its non-life insurance is unusually large which accounts for 81.6% of all insurance premiums in the country.

Ethiopia's insurance penetration is lower than the world and African average which in 2012 was 6.5% and 3.56 respectively while for Ethiopia it was 0.03%. Even, the

penetration of Ethiopia insurance is lower than that of East African countries such as Kenya 3.4%, Rwanda 2.3%, Uganda 0.85%, Tanzania 0.9%, Burundi 0.83% (KPMG, 2014) . However the objective of this paper is not obviously to compare and contrast the consumption of life insurance across countries, the above illustration is just to show the readers how much Ethiopia very much lag behind the world, even Africa's life insurance consumption.

The importance of insurance in nowadays is unquestionable as it serves a broad public interest and is vital to individuals' security. However life insurance products just like any other product has affected by the consumer buying behavior. On one hand People might choose to have a preference for insurance due to intuitive or cultural reason. On the other hand, people can rationally decide to have an insurance policy for clearly economic reasons. How individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants are related with their behavior. Consumer's buying behavior is influenced by cultural, social, and personal factors (Kotler & Keller, 2012). Thus several factors are responsible for the low levels of insurance penetration in the country. It's up to the insurance companies to understand the reality of the consumer behavior so that relating the supply side factor such as product variety and premium in line with the consumer demand. Demands are wants for specific products backed by an ability to pay (Kotler and Keller, 2012). Solely having the ability to pay does not lead individuals to consume a product unless it is in line with their cultural and personal value. Religion is one of the sub culture inhabited among the society which allow or/and prohibit the followers towards some action. Thus people's religious affiliation towards religion may affect the consumption of life insurance.

Cost is another important factor in the life insurance purchasing decision. If all other factors are equal, low-cost insurance undoubtedly is preferable. If the other factors are unequal, the buyers need to weigh price differences against differences in other factors which are important to them. Premium is the cost charged to insurance

policies. The amount of premium thus has an effect in insurance consumption (Yadav and Tiwari, 2012) and (Odemba 2013). However the premium varies in accordance with the benefit of life insurance products/policies. Having limited number of products create problem for potential customers as which products relate with their preference.

Insurance companies use various ways to collect and analyze customer information to improve the variety and quality of products, pricing strategy and develop effective distribution channel.

To increase the awareness level of the society insurers utilize social Medias and agents. Agents are categorized among the distribution channels to facilitate the life insurance transaction and improve the consumption level. They sell these products by approaching prospects, presenting their products, tackling objections, negotiating prices and policy terms and then closing the sale. Agarwal and Shukla (2014) indicate that insurance agents are the major source in both rural and urban areas, playing an important role in influencing the household's decision in favor of insurance.

2.2 Historical development of life insurance in Ethiopia

The present state of development of insurance is as a result of different countries and market contribution. It is believed that there were various forms of devices in the past that the societies use to protect themselves from sudden unfortunate loss. Hailu (2007: 35) the ancient Roman society had a social or trade association named "collegia" a kind of burial club that was used to pay the funeral expense of its member when death occurred. In Greece there was "general average" in connection with marine expedition to share the loss in proportion to its value at risk; however the concept of general average is the fundamental principle at present in marine insurance. In Tanzania there was "Bujun" funeral association in the neighborhood and religion. In Ethiopia, there is "Iddir" Ethiopian traditional funeral association which is a sort of mutual and financial assistance to cover funeral and mourning expenses.

Insurance, being one of the service activities is very little known to the majority of the people. However, there have been rational associations in different countries where by people contributed money to help each other whenever a person faces financial problem. This service may have some similarity with insurance by its purpose, which is securing the financial problem. Security has been a universal desire right from the earliest civilizations. This quest for security has led to the concept of insurance (Mahajan, 2013)

The term insurance policy is derived from the Italian word "Polizza" (Hailu, 2007: 37). The modern life insurance is said to be started in England by issuing the first life insurance policy in London in 1583 (Black and Skipper, 2000:20).

According to H/Michael Kumsa (1992:30) the first insurance business in Ethiopia was transacted by the first Ethiopian Bank, the bank of Abyssinia, which began operation 1905 during the reign of Minilik II, as an agent to a foreign company. The agent performs in accordance with the contractual appointment made by the principal.

The first domestic insurance company was established in 1951, which was called Imperial Insurance Company of Ethiopia Ltd (Hailu Zeleke, 2007: 44). Prior to 1951 according to Hailu (2007) a number of insurance companies, the majority from Britain, were undertaking insurance business in Ethiopia through their agent. It shows that the principal or the parent company has located its office abroad and opened a branch which acts as an agent for underwriting insurance business. This kind of business relationship is also available presently abroad. H/Michael Kumsa (1992:30) pointed out on his review that in 1960 among the twenty agencies representing foreign companies ten of them writing life insurance business, and one had been writing life as well as non life business.

To regulate and control the insurance industry the then Government issued the first insurance proclamation in 1970 which prohibit foreign companies to owned insurance business (Hailu, 2007: 54). It seemed that the issuance operate to control the increasing number of insurance companies. As a result of this proclamation foreign

companies were not allowed to operate in the country. Obviously that affected the insurance market and gradually the numbers of insurance companies are getting lower. In 1974 revolution, overthrew the imperial regime and the provincial military administration council, which followed a path of a socialist doctrine, took over power in Ethiopia. By the end of that year Ethiopian Insurance corporation was established by taking over all the asset and liabilities of the nationalized companies (www.eic.com). The Ethiopian Insurance Corporation had been a monopoly working in the insurance industry.

However at the consequence of the transitional government, 1994 investment in insurance is restricted to domestic investors only. Thus private insurance companies reemerged ones again to the industry as result of market economy. Today there are around 15 insurance companies out of which 8 are writing life insurance in addition to general insurance. (www.nbe.gov.et)

Among the existing insurance companies, EIC is commanding a 41.1% of the market share in Ethiopian insurance industry and employing 1,147 staff (EIC Annual Report 2011/12). As this study conducted on EIC, here after presented a brief background of the company.

2.3 Back ground of the company

Ethiopian Insurance Corporation (EIC) was established in 1976 by proclamation no.68/1975. The Corporation came into existence by taking over all the assets and liabilities of the nationalized private insurance companies, with Birr 11 million (USD 1.29 million) paid up capital aiming to engage in all classes of insurance business in Ethiopia and to insure the insurance services reach the broad mass of the people and to efficient utilization of both material and financial resource (MEDIN, 2006). Following that EIC had been given the mandate to regulate and control insurance operations throughout the country (Zelege, 2007:74)

EIC was operating the business for about nineteen years under protected

monopolistic system as state owned-sole insurer. After the demise of the Marxist regime in mid-1991 a fundamental change has taken place and there was a shift in political, economic and social operation to a market economy. Therefore, EIC was re-established as public enterprise under proclamation number 201/94 with a paid up capital of Birr 61 million (USD 10.25 million) with the objective to engage in the business of insurance services and to engage in another related activities conducive to the attainment of its purpose (Hailu,2007:85). As per the proclamation the insurance service there forth is restricted only for domestic investors and the supervisory authority to insurance companies transferred to National Bank of Ethiopia.

Today there are around 15 insurance companies out of which 8 are writing life insurance business in addition to general insurance (www.nbe.gov.et). Among the existing insurance companies, EIC is commanding a 41.1% of the market share in Ethiopian insurance industry (EIC Annual Report 2011/12).

Life insurance policies that are currently available in EIC are: Term, Endowments, Whole life insurance policies that are selling to an individual person and/or for group (organizations that purchase life insurance for their employees).

There are 5 life offices located in Addis Ababa. These are Life Addis District, Bole Life Branch, Megegnagna Life Branch, Mexico Life Branch and Merkato Life Branch. (www.eic.com)

2.4 Definition of life insurance and its concept

Insurance has been defined in many different ways. However its fundamental purpose of insurance, whether of people or of property, is protection against possible economic loss which simply is the unintentional and permanent loss of something that

has monetary value. Insurance is a form of risk management which is used primarily to hedge against the risk of a contingent, uncertain loss (Siinha, 2011).

Black and Skipper (2008) define insurance from societies view point, a social device where by individuals transfer the financial risk associated with loss of life or health to a group of persons, and which involves the accumulation of funds by the group from the individual to meet the uncertain financial losses associated with loss of life or health.

However, the value of human being, unlike the value of property, cannot be measured in terms of money. But as far as insurance is concerned, the economic value of a person is basically represented by his income. McGill (1967) Life insurance is concerned with the economic value of a human life, which is derived from its earning capacity and the financial dependency of other lives on that earning capacity.

Life is encircled with full of risks and uncertainty. Damages and losses are part of everyday life, and one must be ready for the occurrence of such by anticipating the future with calculated prediction to securing the future with better financial plan. And one of the best ways to do that is to be insured

“Life assurance means a contract whereby the insurer undertakes, against payment of premium, to pay to the insured or to any beneficiary a specified sum on certain conditions dependent up on the life or death of the insured” (Federal Negait Gazeta, 2012). Thus life insurance is a contact between the policy holder (assured) and the insurance company (insurer), whereby the insurer agrees to pay a specified amount of money to the designated beneficiary up on the occurrence of certain event, such as death, critical or terminal illness or the maturity benefit to the assured, depending on the type of contract. In return the policy owner agrees to pay a certain amount of premium at regular interval or a lump sum (single payment).

In general, life insurance is categorized in to two major categories Black and Skipper (2008)

- Protection policies: these policies are devised to provide a benefit to the designated beneficiary (ies) in the event of the occurrence of specified event typically death benefit at a lump sum. Term insurance policy is a common plan of this category
- Investment policies: these policies are mainly designed for saving a specific amount of money during the time of the policy to facilitate the growth of capital by regular or single payment. In addition to this benefit it provides the same benefit like protection policies does. Thus it gives protection and investment benefit. Endowment insurance policies can be categorized in to these schemes.

In addition to the basic term and endowment policies, there are also additional covers or riders that are being sold to the insured interest with additional premium. Such as accident cover, pre-need funeral expense cover and waiver of premium cover. These all types of insurance policies are being sold in EIC.

2.5 Role of life Insurance

Life insurance plays a pivotal role for social-economic development of the country. Black and Skipper (2008: 35-46) among the specified role of life insurance the followings are included:

- Peace of mind: the knowledge that insurance exists to meet financial consequences of certain risks provide a form of peace of mind. One can directly deal on his business matter than thinking of possible likelihood of a loss or event of loss occurring.
- Social benefit: availability of insurance cover helps the insured to recover from losses which provide stimulus to the business activity. The social

benefit renders that people keep jobs; their source of income is maintained and can continue to contribute to the national economy.

- Investment of fund: there is a time gap between the receipt of premium and payment of claim. Thus, that big money collected from the insured should not be kept idle. It is invested in a wide range of different forms of investments such as buying shares in the market, investing in bonds and others.
- Invisible earning: insurance like bank and truism is invisible trade. A substantial amount of money is earned through service export towards improving balance of trades. Thus it helps to a positive balance of trade to an economy.
- Facilitate business: by providing guarantees to the lending institutions enable them to grant a specified loan amount.
- Protection and saving life insurance particularly those Endowment kind policies not only provide protection to the insured's family but also accumulate some cash amount to the insured as saving for future use.
- It can reduce the financial burden on the government of caring for the aged and for those made financially destitute because of the death of family breadwinner.

2.6 Types of Life Insurance

Life insurance policies may be categorized in terms of the benefit they provide and premium payment pattern. Following are presented in brief the basic traditional life insurance policies and the newer types as well.

2.6.1 Term life insurance policy

It provides protection to the dependents in the event when the insured dies during the policy period. It can be issued for a fixed sum assured or a decreasing in case of decreasing term life policy. The sum assured is payable only if death occurs on a stipulated term and nothing is paid in case of survival.

2.6.2 Endowment life insurance policy

It provides not only protection to the dependents when the insured dies during the term of the policy but also provide as a saving element to be payable to the insured in case he/she survive until maturity date (end of the period of the policy). It combines a saving plan with financial protection to the dependents.

2.6.3 Whole life insurance policy

As the name describes it is insurance for the whole of one's life. It provides long term financial protection to the insured dependents regardless of when death occurs. It has protection and saving component.

2.6.4 Annuity life insurance policy

It provides retirement benefit to the insured who wish to supplement their pension income. It is to protect against the probability of outliving ones income that is protection against living too long. It is the opposite of a person who desire life insurance for protection against premature death, i.e. dying too short.

2.6.5 Universal life insurance policy

This type of policy is introduced in 1979 (Black and Skipper, 1987). It differs from other type of Life insurance in that it offer flexible, potentially low cost coverage on a basis that permits product transparency. It does not require a fixed schedule of

premium payments; instead, the premium payment schedule is flexible. Flexibility allows policy owners to skip scheduled premium payments occasionally without causing the policy to lapse. The policy holder, can access his or her cash value by making partial withdrawals.

2.6.6 Variable life insurance policy

It is a fixed premium policy in which the death benefit and cash values vary as a result of the investment performance of a separate account. It is the other form of cash value life insurance that performs like traditional whole life insurance in some ways: fixed premiums, guaranteed death benefit equal to the original face value, and no partial withdrawal. In contrast, the owner of the policy under a variable policy has a right to choose various financial vehicles to invest premiums, such as mutual funds of stocks, bonds, or money market securities. If the investment performance is favorable, the face amount of life insurance is increased. If the investment performance is poor, the face amount of life insurance is reduced, but it will typically not fall below the original face amount.

The insured's do not have to surrender (cancelled) their policy to obtain the accumulated cash value (the saving part). They can obtain a loan under their policy for the amount up to the cash value. Interest has been charged for the loan. The loan and interest is deducted from the sum assured to pay death claim if the insured died or to pay the cash value if the policy is surrender (terminated).

2.6.7 Children Education Policy

Education fund: the cost of higher education in Ethiopia has increased dramatically over the last few years, particularly at private school. These costs can relate to a tremendous financial drain for a family. The objective of education policy is to provide a fixed benefit/sum assured to the policy holder (the parent) whereas the actual beneficiary would be the named child.

2.7 Empirical studies of factors affecting life insurance consumption

In previous empirical studies, the consumption of life insurance is viewed as a function of different variables. Various methods and approaches are used and analyzed to explain these variables and their effect on life insurance consumption. The followings are some key studies which are relevant to this study. The literatures were taken specifically those related more to this subject; they might specify different independent variables at a time.

2.7.1 Awareness

There are consistent findings and conclusions made in previous research regarding how awareness affects life insurance purchase decisions. These studies include Tom, Ibok, & Awoke (2012), Saaty and Ansari (2011), Badru, Yusuf and Isola, (2013)

Tom, Ibok, & Awoke (2012) examined factors within insurance institutional framework that affect insurance consumption in Akwa Ibom State in Nigeria using primary data collection from 80 insurance consumers judgmentally drawn from 10 insurance companies. They find that low insurance penetration in the state is as a result of poor publicity and awareness campaign due to the very complex nature of the insurance products.

In 2011, Saaty and Ansari attempts to find out the factors important in developing a suitable marketing strategy for insurance companies in Saudi Arabia. They investigate the reasons for buying insurance by the current users of insurance, reasons for not buying insurance by non-users of insurance and the issues and problems faced by Saudi Insurance industry. The results of the study show that the public at large is unaware about the benefits of insurance, and various types of insurance products. People would be hesitant in purchasing insurance because they consider insurance against Sharia', in that Islamic principles affect the demand for

insurance. They conclude insurance companies shall focus on promotional marketing strategies to increase the awareness level of the society.

Badru, Yusuf and Isola, (2013) investigate Socio-Cultural Factors Affecting Insurance Patronage in Lagos State, Nigeria using cross-sectional survey, exploratory study. As a result they found that while religions do not have any significant relationship with consumption of an insurance policy, awareness has significant influence on the consumption of life insurance. Among the respondents 80% of them were Christian.

2.7.2 Income

Income is commonly found to be positively related to the demand for life insurance, holding other factors constant. The effect of income on life insurance demand is examined in numerous studies Nesterova (2008), Zekarias Mekonnen (2010), Tajudin, Celik and Kayali (2009), Bech and Webb 2003.

Celik and Kayali (2009) investigate the determinants of demand for life insurance in cross section of 31 European countries from the period of 2000-2006. As a result, they find that the impact of income on demand for life insurance is positive,

Another research conducted by Nesterova (2008) in MBA thesis who analyzed the Determinants of the demand for life insurance : evidenced from selected CIS (Common wealth independent states and CEE(Central & Eastern Europe), in panel of 14 countries over the 11-year period from 1996 till 2006, Panel estimation shows that countries with higher income and countries-members of the European Union have higher levels of life insurance consumption, however relatively low per-capita income and insurance culture have lower consumption . The study concludes that life insurance is still regarded to be a luxury good among potential consumers of the transition countries.

In a related study, Tajudin, et. al, (2009) conducted survey using simple random sampling among 392 members of the Nigerian people insuring and non-insuring to gauge their awareness level and general attitudes towards insurance companies and their operations in relation to social cultural factors. They discovered household income of respondents have significant influence on Nigerians attitude to insurance. Low household incomes have lesser positive attitude to insurance than high household income groups. Middle household income is higher positive attitude than high household income even though the difference is not statistically significant as middle income groups are more vulnerable than wealthy household and, wealthy household relatively feel secured. On the other hand, low household income groups are less empowered and usually insurance is considered beyond their reach

Bech and Webb (2003) has made cross country analysis, 1980 -2000 based on a panel of aggregated data to investigate demographic, economic and institutional determinants of life insurance. They indicate among other variables income per capital and religion are the most robust predictors of the use of life insurance.

2.7.3 Religion

Erik, Rdney & Roberto (2011) studied what drives the development of the insurance sector: an empirical analysis based on a panel of developed and developing countries and they found that the predominance of a Muslim population tends to hinder the development of the life sector; however income is an important driver of life insurance,

In 2010, Zekarias Mekonnen for his MBA thesis, using Exploratory research method investigate the relationship between demographic variables and buyers behavior towards the purchase of insurance on EIC's individual and group customers. He found out that religion for most of buyers groups with the exception for buyers from Muslim religion has no statistical association with buyers' attitude to purchase of life insurance. Buyers from Muslim decision with regard to life insurance policy purchase

are highly dependent with their religion which is unaccepted as it indicates for them a less trust on Allah for their life. Opposing to the above fact buyers from orthodox and protestant religion have explained that their religion has no impact on their life insurance purchase attitude. This study was also found that monthly income level has statistically significant relation with buyers' attitude to life insurance policy purchase. He conclude that religion for buyers from orthodox, protestant and others group has no significant statistical association with life insurance policy purchase attitude. However buyers from Muslim religion explicitly explained their purchase attitude to life insurance is highly dependent to their religion. Life insurance policy purchase attitude and income level moves in opposite direction after some specified point due to those people believe that they have enough wealth to protect themselves and families without life insurance.

In related study Bech and Webb (2003) indicated that among other variables income per capital and religion are the most robust predictors of the use of life insurance.

2.7.4 Premium/Price

Yadav and Tiwari (2012) conducted exploratory and descriptive based study with an objective to identify factors which influence customers policy buying decision and also the preferences of customers while life policy investment decision-making. They observed innovative tailor-made products with high risk cover, more return and low insurance premium to attract more number of customers. This will help in spreading insurance awareness and increasing uptake of life insurance. The study of Asmiya G/Giorgis (2014), Hailu (2007), Odemba, J. (2013) had consistent results

2.7.5 Product variety

Odemba, J (2013) in MBA thesis, seek to establish the factors that affect the uptake of life insurance in Kenya adopting a descriptive and cross-sectional survey research design by taking respondents from all registered insurance companies in Kenya. He

found that that high cost of premiums is the major factor hindering the penetration of life insurance in Kenya. Other major factors affecting penetration of life insurance include lack of insurance product variety and lack of disposable income for most Kenyans.

In 2014, Agarwal and Shukla, study Awareness and Impact of Globalization of Life Insurance in India. The research findings have brought out the fact that people are not able to clearly understand the extent of coverage being offered under particular insurance plans, resulting in low insurance penetration due to one-fourth of the households did not consider life insurance as important; affordability, due to which 56.2 per cent of the uninsured households indicated that insurance is 'too expensive'; availability and range of insurance products, wherein 29.0 per cent of uninsured households felt there is a limited range of insurance products and services; and the major determining factor being lack of awareness of life insurance across both rural and urban parts of the country.

Haiu Zeleke (2007:223) conducted survey study to identify the major problem of the insurance sector by distributing questionnaires to all insurance companies, association of Ethiopian Insurers, Society of Insurance professionals and National Bank of Ethiopia. He finds among other things introducing new products that can mach the need and the pocket of the average society, raise its awareness about insurance and its use and benefit, and use the life insurance as a means of saving are included.

Asmiya Gebregiorgis (2014) assessed factors that contribute to the declining rate of life insurance in Ethiopian Insurance Corporation located Addis Ababa for MBA thesis in St Mary university. She found that among other things the factors that cause to decline its market share is lack of publicity, limited type of products, lack of promotion, and expensiveness of premium. She also found that the current premium rate doesn't recognize the capacity of the society; people do not have awareness about the benefit of life insurance. Due to these factors the sales volume of life insurance is declining and the company loses its market share

2.8 Conceptual framework of the study

The following Figure 2.1 depicts the variables included in the study and the conceptualization of the relationship between the independent and dependent variables based on the literature reviewed.

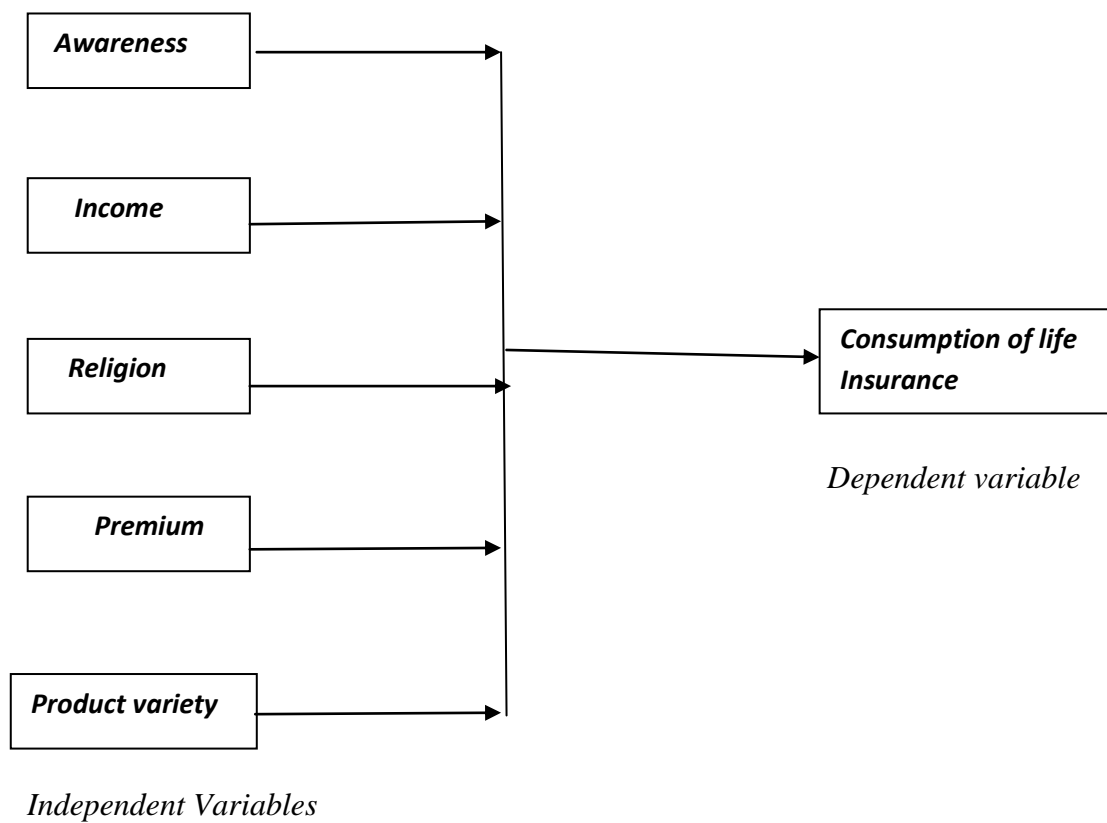


Figure 2.1 conceptual framework of the study

Many studies have been made in relation to the determinants of the consumption of life insurance and their relationship. Thus, there may be many factors which affect life insurance consumption. However this study will examine 5 factors: awareness, income, religion, premium, and product variety and their relationship with consumption of life insurance.

❖ Awareness

Awareness of the importance of life insurance is hypothesized to positively related to insurance consumption. Because obviously the higher level of awareness of a thing or a product, the more likely the individual will have knowledge and understand its value. One of the major obstacles to consume life insurance is lack of awareness. (Tom, et al., 2012), (Zekaryas Mohmmmed, 2011) and (Mathew, 1994) agreed there is appositve relationship between awareness and insurance consumption

❖ Income

Previous studies conclude that income is the most important factors affecting the purchase of life insurance (Sharon, el al., 2003) and (Tajudeen, el., 2009). Apparently an increased income makes life insurance policies/products more affordable. The researcher use monthly net income as a proxy for disposable income. A strong positive relationship between income and life insurance demand is expected.

❖ Religion

The religious inclination of a population may also affect their attitude towards the purchase of life insurance. Peoples may relate of buying life insurance with lack of confidence in God's protection. Tajudeen, et al (2009) cited zelizer(1979) religion historically has provided a strong source of cultural opposition to life insurance as many religious people believe that a reliance on life insurance results from a distrust of God's protecting care. Until the nineteenth century, European nations condemned and banned life insurance on religious grounds and religious antagonism to life insurance still remains in several Islamic countries. The empirical study of Saaty & Ansari (2011) found low consumption of life insurance in Muslim countries. Thus, the researcher expects religion to be negatively related to life insurance consumption.

❖ Premium

Life insurance premium are made up of four components: Mortality (which concerned with risk of death), expenses, investments and contingencies for unexpected level of loss (Atkins and Bates, 2007). Insurance companies use human and statistical informational resources to effectively measure the pricing and reserving requirements for products and also to invest in financial market adequately. Therefore this supply side factor affects the cost of insurance which in return affect the consumption of life insurance. Odemba (2013) Observed that high cost of premium is the major factor hindering the consumption of life insurance. I expect high premium to be inversely related with life insurance consumption

❖ Product variety

This variable refers to all product assortments a particular insurer offer to the market. Insurance companies may not have a collection of life insurance policies which fulfils the need and wants of the consumers. Having various type of life insurance policies provide an opportunity for the consumer to choose in line with their desire. Lack of product variety is a major factor for the low penetration of life insurance (Odemba 2013). I expect product variety has a positive relationship with life insurance consumption.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

This chapter presents the methodological concerns used in conducting this research. It involves the research design, sample & sampling technique, sources of data collection, procedure of data collection and method of data analysis.

3.1 Research Design

A descriptive research is a study that seeks to “portray an accurate profile of persons, events or situations” (Mark, Philip, & Adrian, 2009). It involves formalizing the study with definite structures in order to better describe or present facts about a phenomenon as it is perceived or as it is in reality. An explanatory research tries to establish relationship that exists between variables. It aims at identifying how one variable affects the other; it seeks to provide an empirical explanation to the causes and effects relationship between one or more variables (Mark, Philip, & Adrian, 2009).

This study employs descriptive and explanatory research design. The study is descriptive in that it seeks to describe the benefit of life insurance and reality of low development of life insurance in Ethiopia and understand factors that affect the consumption of life insurance. The study is explanatory since it will seek to determine the impact of those identified variables on the consumption of life insurance and establish the relationship between these variables with life insurance consumption. In terms of time horizon, this study is cross sectional in that data collected from the respondents once and not for different period of time. It uses survey study as a strategy of inquiry to collect data from different customers, employees and sales agents of EIC in Addis Ababa. I chose EIC because it has major share in the market.

The choice of Addis Ababa is due to its nature as a metropolitan city where most Ethiopian ethnic groups are largely represented and relatively more life insurance consumption are found as well.

3.2 Population and Sampling Technique

The target population of the study includes all life individual customers, employees and sales agents of Ethiopian Insurance Corporation located in Addis Ababa. There are 423 life individual customers in Life Addis District and 72 employees. And According to EIC physical distribution channel office, there are around 190 life sale agents who has got license but not more than 80 are actively doing business.

I use stratified sampling technique in order to create homogeneity of the sampling frame to obtain a representative sample. The study selected respondents from each of the following stratum using simple random sampling.

- From employees: They are the one who deal with each customer and have a good insight for the study. The data collected from this respondent group at their office.
- From customers : the researcher expected from this group that their view includes why some of their friends are not taking life insurance and because they have experiencing in life insurance their response is a good insight for factors affecting life insurance consumption. The information from this respondent group was collected as they come for service
- From Sales agents: Sales agents are in direct contact with customers, the potential insuring and non insured's. The researcher believes that their views represented the views of those who have even declined to take life insurance. The information from this respondent group was collected from their sales offices.

In order to determine the sample size, the researcher employed a simplified formula developed by Yamane (1967). A 95% confidence level and 0.05% precision and $P=0.5$ are assumed for the equation:

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size and N is the population size and e is precision level

$$n = 236$$

In order to make the size of the sample from different strata proportional to the size of the stratum, proportional method of allocation used. Thus the following sample size obtained for each stratum:

For strata with Customers $423/575 * 236 = 173$ sample size

For strata with employees $72/575 * 236 = 30$ sample size

For strata with Agents $80/575 * 236 = 33$ sample size

For the purpose of this study structured questionnaires developed by the researcher were used to collect data from each stratum and almost the same questions were set out to each stratum to understand their reply towards life insurance consumption. Self-administered questionnaires used in order to accurately gather the required data from selected respondents to meet the researcher's informational objectives. Questionnaires were originally developed in English but translated into Amharic in case when the researcher faces respondents who are not comfortable/understand English language. The questionnaires were self-administered by the respondents so that they can complete the questions in their own time without any distraction.

The questions framed using Likert's scale of measurement ranging from strongly agree with 1 point to strongly disagree with 5 point. Other questions also included to obtain information on respondents socio economic features.

3.3 Sources of data collection and reliability of instrument

3.3.1 Source of Data Collection

The study employs primary and secondary data collection. The primary data collection implemented by using closed ended questionnaires with a belief that acquiring uniform response. A few open ended questionnaires employed as well to get the respondents own view.

The secondary data collection used different documents such as magazines, web sites and books

3.3.2 Reliability of Research Instrument

Reliability refers to the extent to which a measurement instrument is able to yield consistent results each time it is applied under similar conditions. Statistically, the Cronbach's alpha used to assess the reliability of an instrument. A reliability values of 0.60 and above are considered as acceptable (Cooper & Schindler, 2006). This paper reliability result is 0.869 and the remaining percentage of variance was because of respondents have different opinions, not because the questionnaires items are confusing or ambiguous. Summary of the reliability statistics of the data from the SPSS is presented in Table 2

Table 3.1: Cronbach's Alpha Reliability Statistics

<i>Cronbach's Alpha</i>	<i>N of Items</i>
<i>0.869</i>	<i>17</i>

Besides, prior to administering the questionnaires, the research instruments validity were established by the researcher advisor.

3.4 Procedure of data collection

On the questionnaires parts which were distributed, the researcher fully described all the needed information on the front page of the questionnaire like anonymity, thank you acknowledgement, objective of the study, benefit of the study etc. to prevent respondents assuming different purpose in their mind and also guarantee its confidentiality of their participation. The researcher also gave them enough time to complete and return the questionnaires. In order to keep the ethicality of involving the participant in the study, the researcher had a letter gaining the agreement of individual's in authority, to provide access to study participant and tried not to disturb the working area during distribution of questionnaires.

3.5 Methods of data analysis

The data collected from questionnaires was analyzed using Statistical Package for Social Science (SPSS) version 20.0. The result was presented using statistical tools such as frequencies and tables for demographic characteristics of the respondents via descriptive statistics and multiple regression model used to examine the causal relationship of the identified independent variables and the consumption of life insurance.

The multiple regression model framework of the study is:

$$HCns = \alpha + \beta_1 Awr + \beta_2 Inc + \beta_3 Rlg + \beta_4 Prd - \beta_5 Prm + U_i$$

Where; **HCns= Household's consumption of life insurance**

α = The constant, or Y intercept

β_i = The coefficient of the independent variables

Awr = The level of awareness

I = Income

Rlg = Religion

Prd = Product availability

Prm = Premium

U_i = the error term

CHAPTER FOUR: RESULTS AND DISCUSSION

This chapter is focused on the presentation, analysis and discussion of data collected for the study. It also shows the findings of the study; provide answers to the research questions in line with the objectives of the research. Discussion has also been made about the extent of relationship between independent variables and dependent variable related to the research hypothesis

4.1. Results/Findings of the study

As it has been already cited the objective of this report is to assess factors affecting households' consumption of life insurance. The study targeted three kinds of respondents by using stratified sampling from Life insurance employees, Life sales agents and Individual life customers of Ethiopian insurance corporation life unit. From employees and agents part all the questionnaires are fully completed and returned. From the customer side among the distributed 173 questionnaires 14 of them were not returned.

As can be seen in Table 3 the characteristics of respondents from employees' perspective were presented. Genders of respondents 56.7% of them were male and 43.3% are female. This indicates that more or less the gender compositions of the respondents were fair. In terms of Educational qualification 96.7% of the respondents had Degree or less than BA degree and 3.3% of them had Masters Level. This signifies that most of the respondents had at least BA Degree. From respondents work experience 50% of them were below 8 years, 16.7% of them were from 8 years to 14 years, 20% of them were from 15 years to 20years and 13.3% of them were over 20 years of experience. This shows that most of the respondents had been with the organization long enough to understand its operations.

Table 4.1 Demographic profile of employees respondent

Variable	Category	No.	%	Cumulative Percent
Gender	Male	17	56.7	56.7
	Female	13	43.3	100
Edu. Qualification	Diploma	1	3.3	3.3
	BA Degree	28	93.3	96.7
	Master	1	3.3	100
Work Experience	Below 8	15	50	50
	8--14	5	16.7	66.7
	15--20	6	20	86.7
	Over 20	4	13.3	100
Position	Operation Officer	12	40	40
	Marketing Officer	2	6.7	46.7
	Senior Operation Officer	7	23.3	70
	Principal Customer Care officer	5	16.7	86.7
	Principal Marketing Officer	2	6.7	93.3
	Team Leader	2	6.7	100
Religion	Orthodox Christian	23	76.7	76.7
	Islam	2	6.7	83.3
	Protestant	5	16.7	100
Type of policy	Term, Endowment, Whole Life, Annuity and Children Education	30	100	100

Source: Author's survey 2015

In terms of the position held in the organization 40% of the respondents are operation officer, 6.7% of them are marketing officer and 23.3%, 16.7%, 6.7, and 6.7% of them were senior operation officer , principal customer care officer, principal marketing officer and team leader respectively. This indicates that most of employees were in an operation officer position which may be due to the organizational hierarchy where by large numbers were concentrated there. The majority of the respondents in terms of religion 76.7% of them were Orthodox Christian, 16.7% of them were Protestant and the rest of the small portion 6.7% were Islam. It signifies that most of the respondents were Orthodox Christian. And all respondents stated Term, Endowment, Whole life;

Annuity and Children Education policies are currently available in EIC. It shows that all employees know the types of products their organization are selling.

Table 4.2 Demographic profile of Sales Agents

Variable	Category	No.	%	Cumulative Percent
Gender	Male	25	75.8	75.8
	Female	8	24.2	100
Edu. Qualification	Diploma	16	48.5	48.5
	BA Degree	15	45.5	93.9
	Master	2	6.1	100
Work Experience	Below 5	6	18.2	18.2
	11-15	2	6.1	24.2
	16-20	9	27.3	51.5
	Over 20	16	48.5	100
Religion	Orthodox Christian	20	60.6	60.6
	Islam	4	12.1	72.7
	Protestant	9	27.3	100
Type of policy	Term, Endowment, Whole Life, Annuity and Children Education	33	100	100

Source: Author's Survey 2015

The finding as indicated in table 4.2 that most of the respondents 75.5% were males and 24.2% were female. It points out that there were large numbers of male respondents. In respect of educational qualification 93.9% of the respondents had Degree or less than degree and 6.1% of them had second Degree. This signifies that most of the respondents had BA Degree and Diploma. In terms of work experience 51.5% of the respondents were worked from 16-20 years or less than from 16-20 years the rest of the majority respondents had over 20 years of experience. It indicates that most of the respondents had stayed in their work and had known the insurance work well. Similar to the respondents of employees, among the Agents respondents the majority of 60.6% were Orthodox Christian. 27.3% and 12.1% of the respondents were Protestant and Islam respectively. And all respondents unanimously said they are selling Term, Endowment, Whole life, Annuity and Children Education Policies.

Table 4.3 Demographic profile of customer respondents

Variable	Category	No.	%	Cum. %
Gender	Male	140	88.05	88.05
	Female	19	11.95	100
Age	18-25	7	4.4	4.4
	26-33	18	11.32	15.72
	34-41	35	22.01	37.74
	42-50	69	43.4	81.13
	above 51	30	18.87	100
Education	Under 12	7	4.5	4.5
	12 th completed	19	12.3	16.8
	Certificate	14	9	25.8
	Diploma	47	30.3	56.2
	BA Degree	37	23.9	80.0
	Master	22	14.2	94.2
Experience	below 6	69	43.4	43.4
	6--10	45	28.3	71.7
	11--15	17	10.69	82.39
	16-20	21	13.21	95.6
	above 21	7	4.4	100
Income	below 3000	9	5.66	5.66
	3000-6000	16	10.06	15.72
	6001-9000	28	17.61	33.33
	9001-12000	39	24.53	57.86
	above 12000	67	42.14	100
Occupation	self employed	111	69.81	69.81
	Employed	48	30.19	100
Type of insurance	Term	38	23.9	23.9
	Endowments	104	65.41	89.31
	Whole Life	3	1.89	91.19
	Children Educa.	6	3.77	94.97
	Annuity	8	5.03	100
Distribution Channel	Advertisement	30	18.87	18.87
	Friends/relatives	13	8.18	27.04
	Agents	102	64.15	91.19
	No one	14	8.81	100
Religion	Chris. Orthodox	106	66.67	66.67
	Islam	15	9.43	76.1
	Protestant	31	19.5	95.6
	Catholic	6	3.77	99.37
	Other	1	0.63	100

Source: Author's survey 2015

Table 5 shows the demographic characteristics of customer respondents. Genders of respondents 88.05% of them were male and 11.95% were female. It indicates more buyers of life insurance are male. In terms of Age 37.74% of the respondents were between 34-41 or less than between 34-41 years of age, 43.4% of them were between 42-50 years and 18.87 % were over 51 years of age. It shows that the number of consumers of life insurance increase as the respondents age increase and it continuous until their age becomes over 51. In terms of years stayed as a client the majority of the respondents 43.4% were below six years, 28.3% of them were between 6 - 10 years, the remaining 28.3% of the respondents were stayed as a client in EIC for 11 - 15 years or greater than 11-15 years. It signify that considering the hiring, resign and retirement, the percentage composition were normal. In respect of their income the majority of them 42.14% of net monthly income greater than birr 12,000.00, 24.53% of them were between birr 9000 to birr 12000, the rest of the respondents of 33.33 % were from birr 6000 to birr 9000 or less than between birr 6000 to birr 9000.00. It implies that as the respondents income increase they incline to buy life insurance. In terms of occupation 69.81% of them were self employed and 30.19% of them were employed. It denotes that most of the respondents were self employed. In terms of the insurance policy purchased 23.9% of them had Term, 65.41% of them had endowment insurance policy, and the remaining of 5.03%, 3.77% and 1.89% had annuity, children education policy and whole life insurance policy respectively. This indicated that most customers bought endowment policies and then term insurance policies with a few bought other types of policies. Among the respondents most of them 64.15% purchased life insurance through sales agents, 18.87% of them bought through advertisement, 8.18% through friends or/and relatives and the remaining 8.81% of them purchased life insurance by their own initiation. This indicates that most of the policies were distributed by agents. In terms of the respondents' religion, similar with the respondents of employees and agents the majority of those 66.67% were Orthodox Christian. And 19.5% of them were Protestant, 9.43% were Muslim and 3.77% of them were Catholic.

4.2 Regression analysis

As indicated above this study employed a multiple linear regression model. The effects and magnitudes of the independent variables examined against life insurance consumption. However before directly analyzing the data gathered by the questionnaires, the researcher has checked the necessary assumptions that have to be fulfilled in order to undertake multiple regression analysis models.

The assumptions are Normality of the distribution, Independent of Residuals, Multicollinearity, Outliers and Heteroscedasticity.

4.2.1 Normality test

It requires that the independent variable in the analysis be normally distributed. One way to test this assumption is by using Skewness and Kurtosis statistics. The skewness statistics for all variables under study are within the acceptable range for normality which is between -1.0 to +1.0. However the kurtosis statistic for the variable product variety is greater than 1 which is outside of the acceptable range. Smith, Z & Wells, G(2006) the central limit theorem states that the sampling distribution of statistics will approach to normality as the sample size increase and even the sample size of 30 is enough to produce an approximately normal sampling distributions. Since the sample size of this study is larger, based on the central limit theorem it assumed the sampling distribution of statistics will follow a normal distribution, and the use of the statistical test with this variable is appropriate.

Table 4.4 Statistics of Normality Test

Valid N (listwise)	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Awareness	222	0.515	0.158	0.835	0.315
Income	222	0.203	0.158	0.981	0.315
product variety	222	0.029	0.158	1.412	0.315
Religion	222	-0.847	0.158	0.479	0.315
Premium	222	0.63	0.158	-0.858	0.315
Valid N (list wise)	222				

4.2.2 Independence of residuals

Multiple regressions assume that the residual are independent. Residuals are the prediction errors or differences between the actual score for a case and the score estimated by the regression equation. No serial correlation implies that the size of the residual for one case has no impact on the size of the residual for the next case. The Durbin-Watson statistic is used to test for the presence of serial correlation among the residuals. The value Durbin Watson 2.276 which is within acceptable range and it is assumed residuals are not correlated. As a general rule, the residuals are not correlated if the Durbin-Watson statistic is approximately 2, and an acceptable range is from 1.50 - 2.50.

Table 4.5 Statistics of Durbin Watson

Model	Durbin-Watson
1	2.276

4.2.3 Multicollinearity

The other assumption that has to be checked is multicollinearity. It occurs when the independent variables are more related with each other's than with dependent variables, when occurred it is assumed that they are basically measuring the same thing or convey the same information so that there will be problems with the predictive power of each independent variables. Correlation matrix demonstrates the correlation among the variables. Multicollinearity exists when the independent variables are highly correlated $r=0.9$ and above (Pallant 2005: 142). The correlation value of all the independent variables under study are less 0.9 which shows multicollinearity is not a problem.

Table 4.6 Colinearity Diagnostics of Correlation Matrix

Dimension	Variance Proportions					
	(Constant)	Awareness	Income	Premium	Religion	product variety
1	0	0.00	0.00	0.00	0.01	0.00
2	0	0.00	0.02	0.13	0.69	0.05
3	0	0.00	0.04	0.56	0.01	0.20
4	0.07	0.30	0.07	0.16	0.23	0.13
5	0.01	0.02	0.7	0.06	0.02	0.52
6	0.91	0.68	0.17	0.09	0.04	0.11

a. Dependent Variable: consumption of life insurance

The researcher also used another statistical measure VIF and TOL to confirm whether multicollinearity occurred. VIF (Variable Inflation Factor) is a measure of the reciprocal of the inter-correlation among the predictors ($VIF=1/(1-r^2)$). TOL (Tolerance) is $1/VIF$. Gujarati (2004) a variable with VIF value of greater than 10 and whose TOL value less than 0.1 shows the possible existence of multicollinearity problem. Table 8 shows the coefficient of tolerance is greater than 0.1 and variance inflation factor is between 1.014 and 1.586, it is assumed multicollinearity is not a problem.

Table 4.7 Collinearity Statistics of VIF & TOL

	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Awareness	0.856	1.168
Income	0.712	1.405
Premium	0.985	1.015
Religion	0.986	1.014
Product variety	0.63	1.586

4.2.4 Outliers

An outlying observation, or outlier, is an observation that is much different (either very small or very large) in relation to the observations in the sample. Palant (2005:143) define outliers as those with standardized residual values above 3.3 or less than -3.3). The table 10 below shows the residual statistic for standardized residual under study with in the normal range.

Table 4.8 Residuals Statistics^a of Outliers

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.0979	1.7525	1.3755	.17755	222
Residual	-.52078	.58484	.00000	.30628	222
Std. Predicted Value	-1.563	2.123	.000	1.000	222
Std. Residual	-1.682	1.889	.000	.989	222

a. Dependent Variable: consumption of life insurance

4.2.5 Homoscedacity

Homoscedasticity assumption means the range of variance for the dependent variable is uniform for all values of the independent variables. It is needed that the variability of distribution of dependent values associated with each level of independent value would produce the same variability in each distribution. Gujarati (2004:390) problem

of homoscedacity can arise as a result of the presence of outliers and skewness in the distribution. Since the value of skewness and outliers for this study as table 4.6 depicted falls within the normal range, the homoscedacity assumption is met.

Since all the above assumptions were not violated, the researcher examined the data collected by the questionnaires using multiple regression models as follow.

4.3 Results of regression model

The model for the study represented factors that affect household's consumption of life insurance in Ethiopian Insurance Corporation is:

$$HCns = \alpha + \beta_1 Awr + \beta_2 Inc + \beta_3 Rlg + \beta_4 Prd + \beta_5 Prm + U_i$$

Where; HCns= Household's consumption of life insurance

α = The constant, or Y intercept

β_i = The coefficient of the independent variables

Awr = The level of awareness

I = Income

Rlg = Religion

Prd = Product variety

Prm = Premium

U_i = the error term

The outputs of the model:

Table 4.9 Statistics of ANOVA^a of overall model fitness

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	13.421	5	2.684	28.654	.000 ^b
Residual	21.358	228	.094		
Total	34.779	233			

a. Dependent Variable: consumption of life insurance

b. Predictors: (Constant), product variety, Religion, Premium, Awareness, Income

It is needed to establish whether or not there is an overall relationship between the independent variables and the dependent variables to determine the overall fit of the regression model. This can be done by examining the ANOVA table. In this case, as table 4.9 shows the F statistic of p-value is significant which is 0.000 and less than the level of significance of alpha value 0.05. Thus, the overall model fitness is ascertained and the independent variables taken together have statistically significant relationship with the dependent variable.

4.3.1 Results of Coefficient Determination

Table 4.10 Statistics of Coefficient Determination

Model	Unstandardized Coefficients	Sig.
	B	
(Constant)	0.328	0.004
Awareness	0.382	0
Income	0.291	0
Premium	-0.023	0.034
Religion	0.034	0.129
Product variety	0.057	0.047

All the independent variables except religion in table 12 above have statistically significant relationship with the dependent variable since their p-value is less than the alpha level which is 0.05. The B coefficient of all the independent variables have (+) sign which means they have positive relationship with the consumption of life insurance except the variable premium which has a negative relationship with life insurance consumption. In view of the B coefficients value, the strongest predictor of the consumption of life insurance is Awareness which has a value of 0.382. Followed by income, product variety and premium that have a beta value of 0.291, 0.057, and - 0.023 respectively.

Therefore, in accordance with the above illustrations and tables, the study derives the following linear model.

$$\mathbf{HCns = 0.328 + 0.382Awr + 0.291Inc + 0.034Rlg + 0.057Prd - 0.023Prm}$$

Table 4.11 Statistics of R square Regression Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.781 ^a	.609	.591	.20607	2.276

a. Predictors: (Constant), product variety, Religion, Premium, Awareness, Income

b. Dependent Variable: consumption of life insurance

In the model summary table 13 the R square statistic or the Coefficient of Determination tells the proportion of variance in the dependent variable accounted for by the independent variables. In this particular case the model accounts 61% of the variability in the dependent variable is due to the selected factors. The other proportion of 39% is due to other variables which needs further investigation.

4.4 Analysis and discussion of research hypotheses

The study developed and tested the following hypothesis using the regression results. For all hypotheses the researcher tried to clearly demonstrate and reach conclusion by giving due consideration of setting alpha; α (p level; β), Stating hypotheses (Null and Alternative), indicating the test statistic (sample value) and the critical value of the statistic and finally decision and conclusion made in relation to the literature review. The study developed the following five hypotheses, and tested here after in connection with Table 14 result.

H1: Household income has significant relation with the consumption of life insurance.

H2: Religion has significant relation with the consumption of life insurance.

H3: Awareness has significant relation with the consumption of life insurance

H4: Product variety has significant relation with the consumption of life insurances.

H5: Premium/price of the product has significant relation with the consumption of life insurances.

Table 4.12 Statistics of regression model out put

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.328	0.114		2.891	0.004
Awareness	0.382	0.061	0.353	6.294	0
Income	0.291	0.033	0.541	8.789	0
Premium	-0.023	0.016	-0.075	-1.43	0.034
Religion	0.034	0.023	0.08	1.522	0.129
Product variety	0.057	0.029	0.031	2.001	0.047

The researcher uses the commonly accepted alpha level which is 0.05. And P-value used for accepting or rejecting a null hypothesis. The null hypothesis is rejected if the p-value obtained is less than α and; the null hypothesis is accepted if it is greater than the significance.

Reject Ho: $P < \alpha$ or Accept Ho: $P > \alpha$ = applied for all hypothesis

4.4.1 The First Hypothesis -Awareness

Ho: There is no relationship between awareness and consumption of life insurance

Ha: There is significant relation between Awareness and consumption of life insurance

As can be seen in Table 14 the Significant level for the variable “Awareness” is 0.000, which is less than the alpha level of 0.05. The null hypothesis is rejected and concludes that it is significantly related to the dependent variable. The B coefficient is positive, indicating that as awareness increase, consumption of life insurance also increases. The researcher would expect that for every one unit increase in awareness, there would be a 0.3828 unit increase in consumption of life insurance. This supports the research hypothesis and concludes that level of awareness is a significant predictor of respondents consumption of life insurance.

It appeared that the low consumption of life insurance is due to most people do not have awareness about life insurance in general and life insurance products in particular. They do not know the benefit of life insurance. This situation left the household's with poor information to decide whether buying life insurance policy. This occurs as a result of weak awareness creation activities made by the organization. This result is consistent with the previous literature (Tom, et al., 2012), (Zekarias Mohammed, 2011), (Mathew, 1994), Saaty and Ansari (2011), Badru, et al., (2013).

4.4.2 The Second Hypothesis - Income

Ho: There is no relation between income and consumption of life insurance

Ha: There is significant relation between income and consumption of life insurance.

The level of significant for the variable "Income" is 0.000, which is less than the alpha level of 0.05. The null hypothesis (Ho) is rejected and concludes that it is significantly related to the dependent variable. Looking at the B coefficient, it is positive, indicating that as income increase, consumption of life insurance also increases. The researcher would expect that for every one unit increase in income, there would be a 0.291 unit increase in consumption of life insurance. This supports the research hypothesis and concludes that income is a significant predictor consumption of life insurance.

However, even if the effect of unit change in awareness resulted to greater consumption of life insurance, the relative strength of the variable income has more predicted power with a standardized Beta coefficient of 0.541 which is greater than the standardized coefficients of the other variables. Thus income could be taken as a major factor behind the low consumption of life insurance in EIC.

KPMG (2012) insurance is still a long way off for the majority of Africans people still just struggling to meet their basic food and other day-to-day needs. The unaffordability of life insurance products and the existing products not considering

the income of the society would still lower the consumption. This shows that income is a significant predictor of life insurance consumption. This result is consistent with many past research (Sharon, et al., 2003) and (Tajudeen, et., 2009), (Hailu Zeleke, 2007), Nesterova (2008), Zekarias Mekonnen (2010), & Bech and Webb (2003)

4.4.3 The Third Hypothesis - Religion

Ho: There is no relationship between religion and consumption of life insurance

Ha: There is significant relation between religion consumption of life insurance.

The Significant level for the variable “Religion” is 0.129, which is greater than this study alpha level of 0.05. The null hypothesis retained and concludes that there is no significant relationship between this variable and the dependent variable. This finding does not support the research hypothesis and conclude that religion in regression is an insignificant predictor of respondent’s consumption of life insurance.

Though there is theoretical evidence from previous studies that shows religion affects consumption of life insurance e.g. Tajudin et., (2009), Bech and Webb (2003), this finding appear to contradict some of these previous studies. However, the explanation is that, the fact that religion is found in this study as insignificant determinants of consumption of life insurance does not means this variable is not important but rather, according to the respondents, the other variables seem to be the dominant factor determining life insurance consumption.

However even if the finding seem contradict with some of previous work, it has also reached consistent result with other studies (Zekarias Mekonnen, 2010) and (Badru, et al 2013).

Zekarias Mekonnen (2010) found religion doesn't have significant relationship with buyers’ attitude towards purchasing of life insurance. Badru, et al (2013) also found that the insignificant relationship between religion and consumption of life insurance.

The insignificant relation exists may be different religion has its own thought in terms of transacting life insurance. Some religion may prohibit buying life insurance and some other may not. For instance the empirical study of Saaty & Ansari (2011) found low consumption of life insurance in Muslim countries and has found a significant negative relationship between religion and life insurance consumption. In the study of Mekonene (2010) and Baderu et al (2013), there were large number of Christian respondents and the result indicated no significant relation between these variables. In the same vein, for this study by coincidence among the respondents many of them were Orthodox Christian followers and the study found insignificant relationship between religion and life insurance. The insignificant relation may be due to the fact that respondents' numbers were not equally proportional in terms of the religion.

For this study, as can be seen from each of respondents Demographic Table 1, 2, 3, there is high percentage number of Christian religion followers, followed by Protestants and Muslims respectively. Due to higher percentage number of Christians among the respondents may leads to such kind of result. Had the number of Christian respondents been smaller the result might be changed. Finally further studies needed to determine the real effects of religion on consumption of life insurance.

4.4.4 The Fourth Hypothesis - Premium

Ho: There is no relationship between premium and consumption of life insurance.

Ha: There is significant relation between premium and consumption of life insurance.

Table 14 shows the significant level for the variable "Premium" is 0.034, which is less than the alpha level of 0.05. The null hypothesis which is stated as no relationship between premium and consumption of life insurance is rejected and conclude that it is significantly related to the dependent variable (consumption of life insurance). The B coefficient is negative, indicating that they have an inverse relationship. When premium increases, consumption of life insurance decreases. The researcher would expect that for every one unit increase in premium, there would be a 0.023 unit decrease in consumption of life insurance. This supports the research hypothesis and

concludes that level of premium is a significant predictor of consumption of life insurance.

The other significant variable as indicated above is premium which is cost of insurance products. The higher the cost of premium, the lower the consumption it does. There is no specific data in Ethiopia that illustrate the economic stratification of societies based on their income level. Due to this lack of information, it is difficult to get the cut of point to categorize societies to low income, medium or high income group. However, as it is well aware that most of the people are civil servants and most among them are low monthly income earner, they are not affordable to pay the premium which may be one reason to the low consumption of life insurance.

The inverse relationship between premium and purchasing of life insurance is consistent with other researches Odemba (2013), Asmiya Gebregiorgis (2014), Yadav and Tiwari (2012) they found that high premium will result low life insurance consumption.

4.4.5 The Fifth Hypothesis - Product Variety

Ho: There is no relationship between product variety and consumption of life insurance.

Ha: There is significant relation between product variety and consumption of life insurance.

The Significant level for the variable “Product variety” is 0.047, which is less than the alpha level of 0.05. The null hypothesis is rejected and concludes that it is significantly related to the dependent variable. Looking at the B coefficient, it is positive, indicating that as product variety increase, consumption of life insurance also increases. It would be the researcher expectation that for every one unit increase in product variety, there would be a 0.057 unit increase in consumption of life insurance. Thus the research hypothesis is supported and concludes that product variety is a significant predictor of consumption of life insurance.

The variable product variety has lower standardized Beta coefficient but has significant relation with the consumption of life insurance. Having provided with a mix of products enables people to choose from the alternative that suits them. In EIC, the available products are those that were developed at the time of the establishment of the company. Lack of product varieties and incompatibility of existing products with the society could be among the factors behind the low consumption of life insurance.

The result of this study which is the positive relationship between product varieties and consumption of life insurance is consistent with the study of Odemba (2013) Agarwal and Shukla (2014), Asmiya Gebregiorgis (2014).

Finally related to the open ended questions with the aim of obtaining the respondents recommendations to improve consumption of life insurance, a few of them forwarded their suggestion. From their suggestions, it is found that in order to increase consumption of life insurance EIC should develop new products, lower premium as the current premium is not affordable, create awareness using various communication means, revising the current premium rate to accommodate lower income society were included.

CHAPTER FIVE: SUMMARY, CONCLUSIONS, LIMITATION AND RECOMENDATINS

From the analysis and data collected, the following summary, conclusion and recommendations were made. The responses were based on the objective of the study which sought to determine the factors which affect the consumption of life insurance. The limitation of this research has also been discussed.

5.1 Summary

The main purpose of this study was to identify and investigate factors affecting household's consumption of life insurance in Ethiopian Insurance Corporation (EIC). Based on literature reviewed awareness, income, religion, product variety and premium are identified as an independent variables for this study.

The study employed self administered structured questionnaires to employees, agents and customers of EIC life unit using cross sectional survey strategy. It used descriptive analysis for demographic characteristics and regression analyses model to analyze the identified variables. Before directly analyzing the data gathered by the questionnaires, the researcher checked the necessary assumptions that are required to undertake multiple regression analysis. Based on the analysis of data and discussion of results, the following are the summary of major findings of this study.

The descriptive statistics shows that in respect of age variable, while there were fair proportions in employees' respondents, there had large number of male respondents in Agent and Customers side. In terms of religion among all respondents group, most of them were Orthodox Christian. With related to customers' side, it indicated that most buyers were Orthodox Christian, Followed by Protestant and Islam. In terms of

distribution channel, most of the respondents were buying through Sales Agents, it signifies that Agents play a major role in influencing households to buy life insurance. In relation to Education, while most of the employees and agent's respondent had BA degree, from Customers respondent side there were unevenly distributed starting from below 12th grade to PhD. It shows that even if the distribution were not even, life insurance can be consumed regardless of whether a household is educated or not. In respect of income, most customers are categorized under the average monthly income of over Birr 9000.00. It denoted that when income increases consumers of life insurance will also increase.

The regression analysis shows that the overall model fitness is ascertained by the ANOVA table result and found that the independent variables taken together have a statistically significant relationship with the dependent variable. The R square statistic or the coefficient of determination in this particular case accounts 61% of the variability in the dependent variable is due to the selected factors. The other proportion of 39% is due to other variables which need further investigation.

Concerning the individual variables, all the independent variables except religion have a statistically significant relationship with the dependent variable since their p-value is less than the alpha level which is 0.05. The B coefficient of all the independent variables has a (+) sign which means they have a positive relationship with the consumption of life insurance except the variable premium which has a negative relationship with life insurance consumption. In view of the B coefficients value, the strongest predictor of the consumption of life insurance is Awareness which has a value of 0.328. Followed by income, product variety and premium that have a B value of 0.291, 0.057, and -0.023 respectively.

The study tested the hypotheses which were developed at the proposal stage. All hypotheses were accepted but hypothesis in respect of religion. The fact that religion is found in this study as insignificant determinants of consumption does not mean this variable is not important but rather the other variables seem to be the dominant

factor determining their consumption of life insurance. The researcher found that for every one unit increase in awareness, income and product variety, there would be a 0.3828, 0.291 and 0.057 unit increase in consumption of life insurance respectively. It was also found that for every one unit increase in premium, there would be a 0.023 unit decrease in consumption of life insurance.

5.2 Conclusion

The main objective of this study was to identify factors that affect household's consumption of life insurance. With this in mind, through making an in-depth literature review "awareness", "income", "religion", "product varieties" and "premium" are identified as independent variables and studied their relationship against the consumption of life insurance (dependent variable).

The study had three specific objectives. The first specific objective was whether the identified factors significantly affect consumption of life insurance in Ethiopia. And the second one was to analyze how well the identified variables able to predict household's life insurance consumption.

Therefore based on the identified variables from the literature review, the researcher developed conceptual framework which shows the relationship between the independent variables and dependent variable. Research hypothesis was also developed and their relationship tested by using multiple linear regression mode.

The study employed regression analysis model to determine the relation of independent variables with dependent variable. The P values of all variables except variable religion were less than the alpha level of 0.05. The null hypotheses are rejected and conclude that all independent variables except religion significantly related to household's consumption of life insurance.

The relative importance of the factors to the consumption of life insurance was determined by looking at their respective b coefficients. The coefficient of

determination R square for this study were value of 0.382, 0.291, -.023, 0.034 and 0.057 for awareness, income, premium, religion, and product variety respectively. It is concluded that Awareness has the highest impact on household's consumption of life insurance followed by income, product variety and premium respectively. The researcher would expect that for every one unit increase in awareness, income and product variety, there would be a 0.3828, 0.291 and 0.057 unit increase in consumption of life insurance respectively. It was also expected that for every one unit increase in premium, there would be a 0.023 unit decrease in consumption of life insurance.

The third specific objective was to assess ways the life insurance market could be developed. It is found that new products which are compatible to the needs of the society could be developed; increase the awareness level of the society using various kinds of promotional activities. And also found that the rate should be revised and the premium should be decreased.

5.2 Limitation

No study is without limitation (Berg, 2001). Accordingly, this study is subject to the following limitations that future studies should address to shed more light on the subject of factors affecting consumption of life insurance.

Time was a limiting factor because the researcher is both a student and an employee thus having limited time to commit to the study.

All the finding will be based on data gathered by the respondent. Thus it may subject to the potential bias and prejudice of the people involve.

Due to time constraints, factors that have been taken for this report were only awareness, income, religion, product variety and premium. And the results of this study regression model $R^2 = 61\%$ tells there are 39% of other variables that could

affect households consumptions of life insurance. Therefore, future survey should try identifying and include relevant factors that were not examined in this study.

The research instrument was collected from employees, agents and customers of EIC. The study didn't include non users of life insurance. Therefore, a study that makes it possible to analyze consumption of life insurances should be introduced in further studies, which may be an effective way to evaluate consumption of life insurance.

One of the major finding of this study is about the variable "religion" do not have significant relationship to household's consumption of life insurance. However among the respondents the large portion was occupied by Orthodox Christian. Therefore other research should be made to determine the real effect of religion using equal percentage of sampling among religion groups.

5.3 Recommendations

To achieve greater insurance penetration, insurance companies should come up with new innovative products to offer greater variety or choice to the customers. As it has been discussed in the literature review part of this study, there are different kinds life insurance products that are not available in EIC shelf today such as universal life insurance and variable life insurance policies. The result of the finding showed the purchase of life insurance increase if new products are introduced. Thus it is advisable to check out these products and make them available to the market to boost the life insurance consumption

The study found that income has significance positive relationship with the consumption of life insurance. Those who have more income would purchase life insurance and in the contrary those whose incomes are lower would not have an interest in buying life insurance due to high cost of premium. Thus, the insurance sector should develop different product development strategy for these two groups, and provide in accordance with their need and ability to pay.

This study established "awareness" as the highest predictor of consumption of life insurances, thus by recognizing the low level of consumption of life insurance is due to inadequate public awareness made by insurance companies, more insurance education and publicity should be routinely carried out using available local media.

Since life insurance is a long term policy part of premium collected could be invested on different investment area, which of course in line with the directive of the supervisory body. This helps the company obtain more profit which enables to decrease the premium, and increase the profit sharing percentage for the related policies that ultimately enhance life insurance consumption.

The life insurance companies in Ethiopia should endeavor to join hands together rather than operating individually because the market is untapped and better jointly focusing on to improve the consumption of life insurance as industry level.

The government should encourage households to buy life insurance by allowing life insurance premium tax free. When the premium to be paid for life insurance deducted before income tax, it's the researcher strong believe that the number of buyers will increase and indirectly awareness level of the society will be advances.

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APPENDICES

St. Mary's University
School of Graduate Studies

Dear respondents,

First i would like to thank you for your kind cooperation to give your honest and accurate response. I am a postgraduate student at St Mary's University School of Graduate studies undertaking a Master degree in Business Administration Program. This questionnaire is prepared for the purpose of one of my academic outputs before graduating and for this I have chosen the research topic “Factors Affecting Household's Consumption of Life Insurance in Ethiopia a case in Ethiopian Insurance Corporation”.

As your involvement in this regard is a great input to the quality of the research result, you have been selected to form part of the study. I am therefore kindly request you to assist me collect the data by responding to this questionnaire. I guarantee that your anonymity is fully assured and that your participation in this research is voluntary. The information you provide will be used strictly for academic purposes and will be treated with utmost confidence. Your assistance will be highly appreciated. And please feel free to contact me at ant time, if you find any problem regarding the questions. My phone no. is +251946728913.

APPENDIX I Questionnaires for Employees

I. Please indicate your response by ticking (✓) in the box

1, Gender

1, Male 2, Female

2, Your Education Qualification 1, Diploma 2, BA Degree

3, Master 4, PhD

3, How many years have you worked in EIC?

1, Under 8 2, 8-14 3, 15-20 4, over 20

4, your position held in the organization?

1, Operation Officer 2, senior operation officer

3, Principal customer care office 4, Team Leader

5, What kinds of individual Life insurance policies your organization selling?

6, what is your religion?

1, Christian Orthodox 2, Islam 3, Protestant

4, Catholic 5, Others

II, In your opinion, please indicate your extent of agreement to the following statements in relation to factors affecting households'(individuals) consumptions of life insurance policies (1=Strongly Agree, 2= Agree, 3= neutral, 4= Disagree, 5= Strongly Disagree)

	Awareness	1	2	3	4	5
7	Most people do not know about life insurance in general					
8	Most people are unfamiliar with the available life insurance products					
9	Households' do not have enough information to decide buying life insurance					

10	There is weak awareness creation activities made by the organization about life insurance					
11	Lack of awareness about the benefit of life insurance has led to lower the consumption					
	Income					
12	The available life insurance products are not affordable to low income household					
13	Most people do not have enough disposable income to buy life insurance					
14	The consumption of life insurance increase if affordable products are made available					
	Religion					
15	Your religion prohibits buying life insurance					
16	Life insurance is against the protection of GOD'S / ALLAH'S trust					
	Product Variety					
17	The available life insurance product varieties are limited					
18	Existing life insurance policies are not compatible to the needs of the society					
19	Lack of product variety has led to lower the consumption of life insurance					
	Premium / Price					
20	Life insurance products are expensive					
21	The premium is costly compared to the policy benefit confers					
22	Lower consumption of life insurance is due to higher cost of premium					
23	The cost of premium is not compatible with the income of the society					
	Consumption of Life Insurance					
24	The premium collected from life insurance is very low compared to other type of insurance					
25	The sales performance of life insurance is not at the desired level					

26. In your view, what do you think the organization should do to improve consumption of life insurance?

27, If you have any other recommendation please specify

APPENDIX II Questionnaire for customers

Part I : Please indicate your response by ticking (✓) in the box

1, Gender

1, Male 2, Female

2. Your Age;

1, 18-25 2, 26-33 3, 34-41

4, 42-50 5, above 51

3, Your Educational Qualification

1, Below 12 grade 2, 12th completed 3, Diploma

4, BA Degree 5, Master 6, PhD

4. How many years have you stayed as a client in EIC?

1, below 6 2, 6-10 3, 11-15 4, 16-20 5, above 20

5, How much is your average net monthly income?

1, below birr 3000 2, birr 3000 – 6000 3, birr 6001 - 9000

4, birr 9001-120000 5, Over birr 12000

6, what is your Occupation?

1, self employed 2, employed

7, what kind(s) of individual life insurance policy (ies) do you have?

8, who has influenced you to buy life insurances

1, advertisement 2, referral by a friend 3, advice of Agent

4, no one influence me 5, other source

9, what is your religion

- 1, Christian Orthodox 2, Islam 3, Protestant
 4, Catholic 5, Other

II, In your opinion, please indicate your extent of agreement to the following statements in relation to factors affecting household's consumptions of life insurance in Ethiopia (1=Strongly Agree, 2= Agree, 3= neutral, 4= Disagree, 5= Strongly Disagree)

	Awareness	1	2	3	4	5
10	Most Household's do not know about life insurance in general					
11	Most household's are unfamiliar with the available life insurance products					
12	Households' do not have enough information to decide buying life insurance					
13	There is weak awareness creation activities made by the organization about life insurance					
14	Lack of awareness about the benefit of life insurance has led to lower the consumption					
	Income					
15	The available life insurance products are not affordable to low income household					
16	Most people do not have enough disposable income to buy life insurance					
17	The consumption of life insurance increase if affordable products are made available					
	Religion					
18	Your religion prohibits buying life insurance					
19	Life insurance is against the protection of God's/Allah's trust					
	Product Variety					
20	The available life insurance product varieties are limited					
21	Existing life insurance policies are not compatible to the needs of the society					
22	Lack of product variety has led to lower the consumption of life insurance					
	Premium/Price					
23	Life insurance products are expensive					
24	The premium is costly compared to the policy					

	benefit it confers					
25	Lower consumption of life insurance is due to higher cost of premium					
26	The cost of premium is not compatible with the income of the society					

27. In your view, what do you think the organization should do to improve consumption of life insurance?

28, If you have another recommendation please specify

APPENDIX III Questionnaires for Agents

Part I : Please indicate your response by ticking (✓) in the box

1, Gender

1, Male 2, Female

2, Your Educational Qualification

1, Below 12th grade 2, 12th completed 3, Diploma
 4, BA Degree 5, Master 6, PhD

3, How many years have you worked with EIC?

1, under 5 2, 5-10 3, 11 -15
 4, 16-20 5, Above 20 Years

4, what kinds of individual Life insurance policies you are selling? (You can choose more than one)

5, what is your religion

1, Christian Orthodox 2, Islam 3, Protestant
 4, Catholic 5, Other

II, In your opinion, please indicate your extent of agreement to the following statements in relation to factors affecting households'/individuals' consumptions of life insurance in Ethiopia (1=Strongly Agree, 2= Agree, 3= neutral, 4= Disagree, 5= Strongly Disagree)

	Awareness	1	2	3	4	5
6	Most people do not know about life insurance in general					
7	Most people are unfamiliar with the available life insurance products					
8	Households' do not have enough information to decide buying life insurance					
9	There is weak awareness creation activities made by the organization about life insurance					
10	Lack of awareness about the benefit of life					

	insurance has led to lower the consumption					
	Income					
11	The available life insurance products are not affordable to low income household					
12	Most people do not have enough disposable income to buy life insurance					
13	The consumption of life insurance increase if affordable products are made available					
	Religion					
14	Your religion prohibits buying life insurance					
15	Life insurance is against the protection of God's/Allah's trust					
	Product Variety					
16	The available life insurance product varieties are limited					
17	Existing life insurance policies are not compatible to the needs of the society					
18	Lack of product variety has led to lower the consumption of life insurance					
	Premium / Price					
19	Life insurance products are expensive					
20	The premium is costly compared to the policy benefit it confers					
21	Lower consumption of life insurance is due to higher cost of premium					
22	The cost of premium is not compatible with the income of the society					
	Consumption of Life Insurance					
23	The premium collected from life insurance is very low compared to other type of insurance					
24	The sales performance of life insurance is not at the desired level					

25. In your view, what do you think the organization should do to improve consumption of individual life insurance?

26, If you have any other recommendation, please specify
